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## NOTICE OF ALLOWANCE AND FEE(S) DUE

30554

7590

12/29/2009

MAHAMEDI PARADICE KREISMAN LLP  
550 Winchester Boulevard  
Suite 605  
SAN JOSE, CA 95128

EXAMINER

WOOD, DAVID L.

ART UNIT

PAPER NUMBER

3695

DATE MAILED: 12/29/2009

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/810,176	03/26/2004	Ronald S. Jankov	NLMPLP126	8012

TITLE OF INVENTION: COST-BASED TECHNOLOGY AND MANUFACTURING EXCHANGE

APPLN. TYPE	SMALL ENTITY	ISSUE FEE DUE	PUBLICATION FEE DUE	PREV. PAID ISSUE FEE	TOTAL FEE(S) DUE	DATE DUE
nonprovisional	NO	\$1510	\$0	\$0	\$1510	03/29/2010

THE APPLICATION IDENTIFIED ABOVE HAS BEEN EXAMINED AND IS ALLOWED FOR ISSUANCE AS A PATENT. **PROSECUTION ON THE MERITS IS CLOSED.** THIS NOTICE OF ALLOWANCE IS NOT A GRANT OF PATENT RIGHTS. THIS APPLICATION IS SUBJECT TO WITHDRAWAL FROM ISSUE AT THE INITIATIVE OF THE OFFICE OR UPON PETITION BY THE APPLICANT. SEE 37 CFR 1.313 AND MPEP 1308.

THE ISSUE FEE AND PUBLICATION FEE (IF REQUIRED) MUST BE PAID WITHIN **THREE MONTHS FROM THE MAILING DATE OF THIS NOTICE** OR THIS APPLICATION SHALL BE REGARDED AS ABANDONED. **THIS STATUTORY PERIOD CANNOT BE EXTENDED.** SEE 35 U.S.C. 151. THE ISSUE FEE DUE INDICATED ABOVE DOES NOT REFLECT A CREDIT FOR ANY PREVIOUSLY PAID ISSUE FEE IN THIS APPLICATION. IF AN ISSUE FEE HAS PREVIOUSLY BEEN PAID IN THIS APPLICATION (AS SHOWN ABOVE), THE RETURN OF PART B OF THIS FORM WILL BE CONSIDERED A REQUEST TO REAPPLY THE PREVIOUSLY PAID ISSUE FEE TOWARD THE ISSUE FEE NOW DUE.

## HOW TO REPLY TO THIS NOTICE:

I. Review the SMALL ENTITY status shown above.

If the SMALL ENTITY is shown as YES, verify your current SMALL ENTITY status:

A. If the status is the same, pay the TOTAL FEE(S) DUE shown above.

B. If the status above is to be removed, check box 5b on Part B - Fee(s) Transmittal and pay the PUBLICATION FEE (if required) and twice the amount of the ISSUE FEE shown above, or

If the SMALL ENTITY is shown as NO:

A. Pay TOTAL FEE(S) DUE shown above, or

B. If applicant claimed SMALL ENTITY status before, or is now claiming SMALL ENTITY status, check box 5a on Part B - Fee(s) Transmittal and pay the PUBLICATION FEE (if required) and 1/2 the ISSUE FEE shown above.

II. PART B - FEE(S) TRANSMITTAL, or its equivalent, must be completed and returned to the United States Patent and Trademark Office (USPTO) with your ISSUE FEE and PUBLICATION FEE (if required). If you are charging the fee(s) to your deposit account, section "4b" of Part B - Fee(s) Transmittal should be completed and an extra copy of the form should be submitted. If an equivalent of Part B is filed, a request to reapply a previously paid issue fee must be clearly made, and delays in processing may occur due to the difficulty in recognizing the paper as an equivalent of Part B.

III. All communications regarding this application must give the application number. Please direct all communications prior to issuance to Mail Stop ISSUE FEE unless advised to the contrary.

**IMPORTANT REMINDER:** Utility patents issuing on applications filed on or after Dec. 12, 1980 may require payment of maintenance fees. It is patentee's responsibility to ensure timely payment of maintenance fees when due.

# **PART B - FEE(S) TRANSMITTAL**

**Complete and send this form, together with applicable fee(s), to:** **Mail** **Mail Stop ISSUE FEE**  
**Commissioner for Patents**  
**P.O. Box 1450**  
**Alexandria, Virginia 22313-1450**  
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**INSTRUCTIONS:** This form should be used for transmitting the ISSUE FEE and PUBLICATION FEE (if required). Blocks 1 through 5 should be completed where appropriate. All further correspondence including the Patent, advance orders and notification of maintenance fees will be mailed to the current correspondence address as indicated unless corrected below or directed otherwise in Block 1, by (a) specifying a new correspondence address; and/or (b) indicating a separate "FEE ADDRESS" for maintenance fee notifications.

CURRENT CORRESPONDENCE ADDRESS (Note: Use Block 1 for any change of address)

Note: A certificate of mailing can only be used for domestic mailings of the Fee(s) Transmittal. This certificate cannot be used for any other accompanying papers. Each additional paper, such as an assignment or formal drawing, must have its own certificate of mailing or transmission.

30554 7590 12/29/2009

**MAHAMEDI PARADICE KREISMAN LLP**  
**550 Winchester Boulevard**  
**Suite 605**  
**SAN JOSE, CA 95128**

## **Certificate of Mailing or Transmission**

I hereby certify that this Fee(s) Transmittal is being deposited with the United States Postal Service with sufficient postage for first class mail in an envelope addressed to the Mail Stop ISSUE FEE address above, or being facsimile transmitted to the USPTO (571) 273-2885, on the date indicated below.

(Depositor's name)
(Signature)
(Date)

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/810,176	03/26/2004	Ronald S. Jankov	NLMIP126	8012

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nonprovisional	NO	\$1510	\$0	\$0	\$1510	03/29/2010

EXAMINER	ART UNIT	CLASS-SUBCLASS
WOOD, DAVID L	3695	705-035000

1. Change of correspondence address or indication of "Fee Address" (37 CFR 1.363).

- ☐ Change of correspondence address (or Change of Correspondence Address form PTO/SB/122) attached.  
☐ "Fee Address" indication (or "Fee Address" Indication form PTO/SB/47; Rev 03-02 or more recent) attached. Use of a **Customer Number is required.**

2. For printing on the patent front page, list

- (1) the names of up to 3 registered patent attorneys or agents OR, alternatively, 1 \_\_\_\_\_  
 (2) the name of a single firm (having as a member a registered attorney or agent) and the names of up to 2 registered patent attorneys or agents. If no name is listed, no name will be printed. 2 \_\_\_\_\_  
 3 \_\_\_\_\_

3. ASSIGNEE NAME AND RESIDENCE DATA TO BE PRINTED ON THE PATENT (print or type)

PLEASE NOTE: Unless an assignee is identified below, no assignee data will appear on the patent. If an assignee is identified below, the document has been filed for recordation as set forth in 37 CFR 3.11. Completion of this form is NOT a substitute for filing an assignment.

(A) NAME OF ASSIGNEE

(B) RESIDENCE: (CITY and STATE OR COUNTRY)

Please check the appropriate assignee category or categories (will not be printed on the patent): ☐ Individual ☐ Corporation or other private group entity ☐ Government

4a. The following fee(s) are submitted:

- ☐ Issue Fee  
☐ Publication Fee (No small entity discount permitted)  
☐ Advance Order - # of Copies \_\_\_\_\_

4b. Payment of Fee(s): (Please first reapply any previously paid issue fee shown above)

- ☐ A check is enclosed.  
☐ Payment by credit card. Form PTO-2038 is attached.  
☐ The Director is hereby authorized to charge the required fee(s), any deficiency, or credit any overpayment, to Deposit Account Number \_\_\_\_\_ (enclose an extra copy of this form).

5. Change in Entity Status (from status indicated above)

- ☐ a. Applicant claims SMALL ENTITY status. See 37 CFR 1.27. ☐ b. Applicant is no longer claiming SMALL ENTITY status. See 37 CFR 1.27(g)(2).

NOTE: The Issue Fee and Publication Fee (if required) will not be accepted from anyone other than the applicant; a registered attorney or agent; or the assignee or other party in interest as shown by the records of the United States Patent and Trademark Office.

Authorized Signature \_\_\_\_\_ Date \_\_\_\_\_  
 Typed or printed name \_\_\_\_\_ Registration No. \_\_\_\_\_

This collection of information is required by 37 CFR 1.311. The information is required to obtain or retain a benefit by the public which is to file (and by the USPTO to process) an application. Confidentiality is governed by 35 U.S.C. 122 and 37 CFR 1.14. This collection is estimated to take 12 minutes to complete, including gathering, preparing, and submitting the completed application form to the USPTO. Time will vary depending upon the individual case. Any comments on the amount of time you require to complete this form and/or suggestions for reducing this burden, should be sent to the Chief Information Officer, U.S. Patent and Trademark Office, U.S. Department of Commerce, P.O. Box 1450, Alexandria, Virginia 22313-1450. DO NOT SEND FEES OR COMPLETED FORMS TO THIS ADDRESS. SEND TO: Commissioner for Patents, P.O. Box 1450, Alexandria, Virginia 22313-1450.

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10/810,176	03/26/2004	Ronald S. Jankov	NLM/PI26	8012
30554	7590	12/29/2009	EXAMINER	
MAHAMED PARADICE KREISMAN LLP 550 Winchester Boulevard Suite 605 SAN JOSE, CA 95128			WOOD, DAVID L.	
			ART UNIT	PAPER NUMBER
			3695	

DATE MAILED: 12/29/2009

## Determination of Patent Term Adjustment under 35 U.S.C. 154 (b) (application filed on or after May 29, 2000)

The Patent Term Adjustment to date is 1487 day(s). If the issue fee is paid on the date that is three months after the mailing date of this notice and the patent issues on the Tuesday before the date that is 28 weeks (six and a half months) after the mailing date of this notice, the Patent Term Adjustment will be 1487 day(s).

If a Continued Prosecution Application (CPA) was filed in the above-identified application, the filing date that determines Patent Term Adjustment is the filing date of the most recent CPA.

Applicant will be able to obtain more detailed information by accessing the Patent Application Information Retrieval (PAIR) WEB site (<http://pair.uspto.gov>).

Any questions regarding the Patent Term Extension or Adjustment determination should be directed to the Office of Patent Legal Administration at (571)-272-7702. Questions relating to issue and publication fee payments should be directed to the Customer Service Center of the Office of Patent Publication at 1-(888)-786-0101 or (571)-272-4200.

**Notice of Allowability****Application No.**

10/810,176

**Applicant(s)**

JANKOV ET AL.

**Examiner**

DAVID L. WOOD

**Art Unit**

3695

**-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address--**

All claims being allowable, PROSECUTION ON THE MERITS IS (OR REMAINS) CLOSED in this application. If not included herewith (or previously mailed), a Notice of Allowance (PTOL-85) or other appropriate communication will be mailed in due course. **THIS NOTICE OF ALLOWABILITY IS NOT A GRANT OF PATENT RIGHTS.** This application is subject to withdrawal from issue at the initiative of the Office or upon petition by the applicant. See 37 CFR 1.313 and MPEP 1308.

1. ☒ This communication is responsive to the amendment of 8/12/2009.
2. ☒ The allowed claim(s) is/are 1-19 and 26-37.
3. ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).  
a) ☐ All b) ☐ Some\* c) ☐ None of the:  
1. ☐ Certified copies of the priority documents have been received.  
2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.  
3. ☐ Copies of the certified copies of the priority documents have been received in this national stage application from the International Bureau (PCT Rule 17.2(a)).

\* Certified copies not received: \_\_\_\_\_.

Applicant has THREE MONTHS FROM THE "MAILING DATE" of this communication to file a reply complying with the requirements noted below. Failure to timely comply will result in ABANDONMENT of this application.

**THIS THREE-MONTH PERIOD IS NOT EXTENDABLE.**

4. ☐ A SUBSTITUTE OATH OR DECLARATION must be submitted. Note the attached EXAMINER'S AMENDMENT or NOTICE OF INFORMAL PATENT APPLICATION (PTO-152) which gives reason(s) why the oath or declaration is deficient.
5. ☐ CORRECTED DRAWINGS (as "replacement sheets") must be submitted.  
(a) ☐ including changes required by the Notice of Draftsperson's Patent Drawing Review (PTO-948) attached  
1) ☐ hereto or 2) ☐ to Paper No./Mail Date \_\_\_\_\_.  
(b) ☐ including changes required by the attached Examiner's Amendment / Comment or in the Office action of Paper No./Mail Date \_\_\_\_\_.  
**Identifying indicia such as the application number (see 37 CFR 1.84(c)) should be written on the drawings in the front (not the back) of each sheet. Replacement sheet(s) should be labeled as such in the header according to 37 CFR 1.121(d).**
6. ☐ DEPOSIT OF and/or INFORMATION about the deposit of BIOLOGICAL MATERIAL must be submitted. Note the attached Examiner's comment regarding REQUIREMENT FOR THE DEPOSIT OF BIOLOGICAL MATERIAL.

**Attachment(s)**

1. ☒ Notice of References Cited (PTO-892)
2. ☐ Notice of Draftperson's Patent Drawing Review (PTO-948)
3. ☐ Information Disclosure Statements (PTO/SB/08),  
Paper No./Mail Date \_\_\_\_\_
4. ☐ Examiner's Comment Regarding Requirement for Deposit of Biological Material
5. ☐ Notice of Informal Patent Application
6. ☐ Interview Summary (PTO-413),  
Paper No./Mail Date \_\_\_\_\_
7. ☒ Examiner's Amendment/Comment
8. ☒ Examiner's Statement of Reasons for Allowance
9. ☐ Other \_\_\_\_\_.

/David L. Wood/  
Examiner, Art Unit 3695

/Charles R. Kyle/  
Supervisory Patent Examiner, Art Unit 3695

### EXAMINER'S AMENDMENT

1. An examiner's amendment to the record appears below. Should the changes and/or additions be unacceptable to applicant, an amendment may be filed as provided by 37 CFR 1.312. To ensure consideration of such an amendment, it MUST be submitted no later than the payment of the issue fee.

Authorization for this examiner's amendment was given in a telephone interview with Mr. William Paradice on December 1, 2009, with proposed claims forwarded by email.

The claims to the application have been amended as follows:

1. (Currently Amended) A method for transferring intellectual property (IP) between competing parties [[performed by a system]], wherein the parties include a manufacturer of products and a licensor of the IP, comprising:

generating a license agreement between the parties that includes a royalty rate, a mark-up rate, and a target division of manufactured products that include the IP;

determining the royalty rate as a first percentage of a cost of a component material of the manufactured products using a computer system;

determining the mark-up rate as a second percentage of the cost of the component material of the manufactured products using the computer system; [[and]] selecting a target net material cost using the computer system, wherein the net material cost is on a per-unit basis;

determining the target division of the manufactured products as a split of the products between the parties that results in [[a]] the target net material cost using the computer system; and

dividing the manufactured products between the manufacturer and the licensor in accordance with the target division, wherein the target division includes a demand division based on demand for the manufactured products, target net material cost,

2. (Currently Amended) The method of claim 1, [[wherein the parties include a manufacturer of the products and a licensor of the IP, the method]] further comprising:

[[dividing the manufactured products between the manufacturer and the licensor in accordance with the target division, wherein the target division includes a demand division based on demand for the manufactured products;]]

transferring royalty payments from the manufacturer to the licensor for each product retained by the manufacturer, wherein the royalty payments are determined using the royalty rate; and

transferring mark-up payments from the licensor to the manufacturer for each manufactured product received by the licensor, wherein the mark-up payments are determined using the mark-up rate.

6. (Currently Amended) The method of claim 5, [[wherein the parties include a manufacturer of the products and a licensor of the IP,]] wherein the target division is determined so that a first ratio of a number of products allocated to the licensor to a

number of products allocated to the manufacturer is approximately equal to a second ratio of the royalty rate to the mark-up rate.

26. (Currently Amended) A method [[performed by a system]] comprising:  
identifying a product for manufacture and sale;  
setting a royalty rate that is a first percentage of a cost of a component material of the product using a computer system;  
setting a mark-up rate that is a second percentage of the cost of the component material using the computer system;  
identifying a target split of at least one production group of the product that results in a target net material cost using the computer system, wherein the target split includes a first number of the products retained by a first party and a second number of the products for delivery to a second party; and  
generating, using the computer system, an agreement between the first party and the second party under which the first party manufactures and sells the product in accordance with the royalty rate and the target split and the second party sells the product in accordance with the mark-up rate and the target split.

28. (Currently Amended) The method of claim 26, wherein the target split results in a net material cost that is approximately equal for each of the parties and a party taking more products than allocated to the party under the target split would realize an increasing net material cost and a party taking fewer products than allocated

to the party under the target division would realize a decreasing net material cost,  
wherein the net material cost is on a per-unit basis.

30. (Currently Amended) A method [[performed by a system]] for supplying products in a market, comprising:

transferring technology of the products between parties including a licensor and a licensee;

establishing a royalty rate that is a first percentage of a cost of a component material of the products and establishing a mark-up rate that is a second percentage of the cost of the component material using a computer system;

identifying a target division of manufactured products that results in a selected target net material cost using the computer system, wherein the net material cost is on a per-unit basis;

manufacturing the products using the transferred technology and transferring royalty payments from the licensee to the licensor, wherein the royalty payments are determined using the royalty rate;

dividing the manufactured products between the licensor and the licensee in accordance with the target division and transferring mark-up payments from the licensor to the licensee for each manufactured product received by the licensor; and

supplying the products to customers in the market, wherein the products are available for purchase from the licensor and the licensee.



2. The following is an examiner's statement of reasons for allowance.
3. It is common practice to tie royalties for the licensing of intellectual property to a percentage of the sales price of the goods produced which include the intellectual property. Textbooks and articles are almost universal in that approach. An alternative is a purely fixed-cost method, which does not relate to the sales price of the goods. Few other alternatives appear in publications prior to the instant application. The Scherer, et al., article describes the only other variation that appears close to the claimed invention. A UK compulsory license for drugs used this formula: ""To research, development, and testing costs averaged over the licensing firm's pharmaceutical operations, a fairly generous profit margin was added to arrive at the royalty per kilogram." (Scherer, page 923, second full paragraph). One interpretation of this is that a percentage profit based on "costs" was used, which is similar to the claimed "royalty rate as a first percentage of a cost of a component material." Cost, after all, is a very fluid term, which can describe many accounting concepts, such as direct costs, direct plus some burden rate representing indirect costs, or a full-cost allocation of all overhead with some quantity assumptions. There is no single definition of "cost." But the claims do use the phrase "cost of a component material" which implies a direct material cost without any indirect/overhead/burden added. The claims also require the royalty be a percentage, so that if the material cost changed, the royalty would also change. This is apparently different from the Scherer reference, which arrived at, essentially, a fixed cost per unit which was calculated with an initial percentage, but which does not vary as costs vary. And the Scherer costs clearly include some forms of

overhead, if not all overhead. So, first, the claimed invention departs from common licensing by tying the royalty to a percentage of cost, rather than using other common methods.

4. The second feature that is novel and non-obvious is the combination of royalty and manufacturing mark-up rates, in a situation where the owner of the intellectual property both licenses the IP to a manufacturer/fabricator, and also buys finished product with that IP from the licensor who is doing the manufacturing/fabricating. The use of material costs as the basis for both royalty and mark-up, along with the target material cost and quantity allocation (split between parties) leads to the invention of a method of establishing IP licensing/manufacturing between the two parties that prevents the more powerful party from driving the other out of business using aggressive sales pricing. The closest art that even considers the situation is perhaps the Contractor patent publication. Although Contractor speaks of the general licensing situation, it does not address the predatory pricing problem nor does it present the use of royalty tied to cost and the combination of claimed features in the instant invention.

Any comments considered necessary by applicant must be submitted no later than the payment of the issue fee and, to avoid processing delays, should preferably accompany the issue fee. Such submissions should be clearly labeled "Comments on Statement of Reasons for Allowance."

Any inquiry concerning this communication or earlier communications from the examiner should be directed to DAVID L. WOOD whose telephone number is (571)270-3607. The examiner can normally be reached on Monday to Friday 7:30 - 4:00 EST.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Charles Kyle can be reached on 571-272-6746. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://www.uspto.gov>. If you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (in USA or Canada) or 571-272-1000.

/David L. Wood/  
Examiner, Art Unit 3695  
December 1, 2009

/Charles R. Kyle/  
Supervisory Patent Examiner, Art Unit 3695